

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6629

Petition of the Village of Enosburg Falls Water and)
Light Department, Inc. for approval to borrow up to)
\$1,415,000 to finance reconstruction of its Main Village)
Substation and associated facilities and convert short-)
term debt used for system upgrades)

Order entered: 3/27/2002

I. INTRODUCTION

On December 19, 2001, the Village of Enosburg Falls Water and Light Department, Inc. ("Enosburg Falls") filed a petition pursuant to 30 V.S.A. § 108(c), requesting the Vermont Public Service Board ("Board") to authorize Enosburg Falls to issue up to \$1,415,000 in long-term revenue bonds in order to finance the reconstruction of the Enosburg Falls Main Village Substation and related facilities, and to convert certain short-term debt used to finance capital improvements, to long-term debt (the "Financing").

Also on December 19, 2001, Enosburg Falls gave notice of the petition to the Vermont Department of Public Service ("Department" or "DPS"), and filed a petition, supporting testimony and exhibits in Docket 6628, requesting a certificate of public good, pursuant to 30 V.S.A. § 248, to reconstruct its Main Village Substation and related facilities with new facilities offering improved safety, reliability, and efficiency.

On January 24, 2002, a prehearing conference in this case was held at the Board's hearing room. Notice of the prehearing conference was sent to all parties and interested persons on January 17, 2002. At the prehearing conference, the parties stated that they were attempting to resolve all issues in this case and enter into a stipulation.

On February 21, 2002, Enosburg Falls and the DPS submitted a joint stipulation ("Stipulation") in this docket, in which the parties agreed that the Board should authorize the Financing in an amount not to exceed \$965,000, subject to certain other conditions.

On February 22, 2002, Enosburg Falls requested a determination from the Department pursuant to 30 V.S.A. § 202(f) that the Financing is consistent with the Vermont Twenty-Year

Electric Plan (the "Vt. Electric Plan"). The Department's determination under 30 V.S.A. § 202(f) was filed with a letter dated March 6, 2002 (the "DPS Determination"). The DPS Determination provided that the proposed Financing in the amount of \$965,000 would be consistent with the Vt. Electric Plan, provided that the Financing is consistent with the terms of the Stipulation.

Neither Enosburg Falls nor the Department requested a technical hearing.

On March 27, 2002, the Board issued a Certificate of Public Good to Enosburg Falls in Docket No. 6628, authorizing Enosburg Falls' reconstruction of its Main Village Substation and related improvements (the "Docket No. 6628 CPG").

Based upon the Enosburg Falls petition, supporting testimony and exhibits in this Docket as well as the Stipulation, DPS Determination, and the Docket No. 6628 CPG, I hereby report the following findings to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. On March 27, 2002, the Board issued a CPG to Enosburg Falls pursuant to 30 V.S.A. § 248, authorizing Enosburg Falls to reconstruct its existing Main Village Substation and related facilities. Docket 6628 CPG.

2. Enosburg Falls estimates that the substation and related line upgrades will cost a total of approximately \$1,100,000, or \$699,000 net of Federal grant contributions – an amount not available to Enosburg Falls except through the issuance of long-term debt. Pet. at 1.

3. Enosburg Falls has undertaken several significant long-term capital improvements, which it financed out of short-term borrowings. Enosburg Falls originally calculated the amount of these capital improvements at approximately \$700,000, but subsequently corrected this amount to approximately \$266,000. Pet. at 1; finding no. 7, below.

4. Enosburg Falls plans to issue long-term revenue bonds through the Vermont Bond Bank as the vehicle for the proposed Financing. Revenue bonds would keep the borrowing capacity of the village intact, which is an important consideration to Enosburg Falls in light of several other large utility projects (water and wastewater improvements) under way or in development. Underhill pf. at 6.

5. The cost of borrowing \$699,000 at a 5.0 percent interest rate, closing costs of 2.50 percent, and a repayment schedule of 30 years would require approximately \$46,600 in annual revenues. Exhibit CJU-4.

6. The cost of borrowing \$266,000, for past plant additions, at a 5.0 percent interest rate, closing costs of 2.50 percent, and a repayment schedule of 30 years would require approximately \$17,740 in annual revenues. Exhibit CJU-4.

7. Enosburg Falls and the DPS agree that the Board should authorize the Financing as proposed in Enosburg Falls' petition, prefiled testimony, and exhibits, with the following conditions:

- a. The approved amount of the Financing shall not exceed \$965,000.
- b. Of the approved amount of the Financing, Enosburg Falls shall, upon receiving the proceeds of the Financing, deposit \$699,000 into a separate, dedicated fund. Expenditure of this \$699,000 shall be only for the transmission project which is the subject of Docket No. 6628 and any distribution improvements necessitated by that project. Enosburg Falls shall keep a written account of all expenditures from this dedicated fund that, at a minimum, shows each specific expenditure made and why that expenditure is for the transmission project which is the subject of Docket No. 6628 or distribution improvements necessitated by that project. Such written account shall be available to the Board and Department on request.
- c. The remaining balance of the Financing (\$266,000) shall be used to pay for past plant additions by applying said balance to a refinancing note incurred by Enosburg Falls in December 2001. Notwithstanding any statement to the contrary in Enosburg Falls' prefiled testimony, the Parties agree that the amount of past plant additions available to support the Financing is \$268,579.
- d. If, after application of the balance of the Financing as stated in paragraph 7c immediately above, Enosburg Falls continues to owe an amount on the refinancing note, Enosburg Falls will pay off this amount using a 60-month

fixed payment instrument commencing no later than 60 days after the proceeds of the Financing are received.

- e. Existing plant assets of Enosburg Falls which have lives shorter than the Financing and are financed through existing notes with fixed terms shall continue to be financed through such existing notes. Those assets include but are not necessarily limited to a chipper purchased in 2000, a bucket truck purchased in 2001, and metering equipment purchased in 2001.
- f. As reflected in the cost-of-service supporting Enosburg Falls' rate request in Docket No. 6589, Enosburg Falls' lines of credit with Franklin Lamoille Bank ("FLB") #14 and FLB #19 will continue to be amortized, and will be paid off, over a five-year period commencing from the beginning of the adjusted test year in that docket. Stipulation at 1-2.

8. The Department has issued the DPS Determination, noticing the Board that the proposed Financing in the amount of \$965,000, as amended by the Stipulation, is consistent with the Vt. Electric Plan. DPS letter of March 6, 2002.

III. CONCLUSION

Based upon all of the foregoing, I conclude that Enosburg Falls' proposed issuance of \$965,000 in Revenue Bonds, in order to upgrade the substation and related line upgrades at a cost of \$699,000 and the conversion to long-term debt of the \$266,000 in short-term borrowings for past system improvements is consistent with the general good of the State as required by 30 V.S.A. §108(c). Neither Enosburg Falls nor the DPS seeks a hearing in this matter. I, therefore, recommend that the Board find that the proposed financing is consistent with the general good of the State and issue an order to that effect.

To the extent these findings are inconsistent with any proposed findings, such proposed findings are denied.

The parties have waived the opportunity to comment on this Proposal for Decision in accordance with 3 V.S.A. § 811.

DATED at Montpelier, Vermont, this 25th day of March, 2002.

s/Ennis John Gidney
Ennis John Gidney
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusion of the Hearing Officer are adopted.
2. The Joint Stipulation, dated February 19, 2002, between the Village of Enosburg Falls Water and Light Department, Inc. and the Vermont Department of Public Service is approved.
3. The issuance by the Village of Enosburg Falls Water and Light Department, Inc. of up to \$965,000 in Revenue Bonds in order to fund \$699,000 in work on the transmission project and any distribution improvements necessitated by the transmission project, and \$266,000 for past plant additions is hereby found to be consistent with the general good of the State of Vermont.
4. Consent is hereby given pursuant to 30 V.S.A. § 108(c) for the issuance and sale by the Village of Enosburg Falls Water and Light Department, Inc. of up to \$965,000 in Revenue Bonds, for the purposes described in the Village of Enosburg Falls Water and Light Department, Inc.'s petition, prefiled testimony, and exhibits submitted in this Docket.
5. This Order does not constitute approval of any particular capital or operating expenditure or any capital structure resulting from the borrowing, nor does it qualify the costs of the borrowing for inclusion in rates without subsequent review and approval.

DATED at Montpelier, Vermont, this 27th day of March, 2002.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: March 27, 2002

ATTEST: s/Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or mail) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.